

AMENDED IN SENATE APRIL 17, 2006

SENATE BILL

No. 1639

Introduced by Senator Dutton

February 24, 2006

An act to add and repeal Sections 17053.77 and 23677 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1639, as amended, Dutton. Income and corporation taxes: credit: health savings account.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2007, and before January 1, 2012, in an amount equal to 15% of the amount paid or incurred during the taxable year for the provision of qualified health insurance, as defined, for employees of the taxpayer *who perform services in California*.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.77 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.77. (a) For each taxable year beginning on or after
- 4 January 1, 2007, there shall be allowed as a credit against the

1 “net tax,” as defined in Section 17039, an amount equal to 15
2 percent of the amount paid or incurred by the taxpayer during the
3 taxable year for the provision of qualified health insurance for
4 employees of the taxpayer *who perform services in California*.

5 (b) For purposes of this section, “qualified health insurance”
6 means amounts paid on behalf of employees to a health savings
7 account, as defined by Section 223(d) of the Internal Revenue
8 Code.

9 (c) The credit allowed by this section shall be in lieu of any
10 deduction to which the taxpayer otherwise may be entitled for
11 expenses on which a credit under this section is claimed.

12 (d) On or before September 1, 2010, the Franchise Tax Board
13 shall report to the Legislature on the usage of the credit under
14 this section.

15 (e) In the case where the credit allowed by this section exceeds
16 the “net tax,” the excess may be carried over to reduce the “net
17 tax” in the following year, and succeeding years if necessary,
18 until the credit is exhausted.

19 (f) This section shall remain in effect only until January 1,
20 2012, and as of that date is repealed, unless a later enacted statute
21 that is enacted before January 1, 2012, deletes or extends that
22 date.

23 SEC. 2. Section 23677 is added to the Revenue and Taxation
24 Code, to read:

25 23677. (a) For each taxable year beginning on or after
26 January 1, 2007, there shall be allowed as a credit against the
27 “tax,” as defined in Section 23036, an amount equal to 15 percent
28 of the amount paid or incurred by the taxpayer during the taxable
29 year for the provision of qualified health insurance for employees
30 of the taxpayer *who perform services in California*.

31 (b) For purposes of this section, “qualified health insurance”
32 means amounts paid on behalf ~~to~~ of employees to a health
33 savings account, as defined by Section 223(d) of the Internal
34 Revenue Code.

35 (c) The credit allowed by this section shall be in lieu of any
36 deduction to which the taxpayer otherwise may be entitled for
37 expenses on which a credit under this section is claimed.

38 (d) On or before September 1, 2010, the Franchise Tax Board
39 shall report to the Legislature on the usage of the credit under
40 this section.

1 (e) In the case where the credit allowed by this section exceeds
2 the “tax,” the excess may be carried over to reduce the “tax” in
3 the following year, and succeeding years if necessary, until the
4 credit is exhausted.

5 (f) This section shall remain in effect only until January 1,
6 2012, and as of that date is repealed, unless a later enacted statute
7 that is enacted before January 1, 2012, deletes or extends that
8 date.

9 SEC. 3. On or before March 1, 2011, the Legislative Analyst
10 shall report to the Legislature on the effectiveness of the tax
11 credit upon employed Californians’ ability to meet deductible
12 medical expenses incurred under qualified health insurance
13 plans.

14 SEC. 4. This act provides for a tax levy within the meaning of
15 Article IV of the Constitution and shall go into immediate effect.